SUSTAINABLE INCENTIVES

A new control strategy capable of generating rapid cost effective reductions, "*Sustainable Incentives*" is requested to be identified as a candidate control strategy in the District's Rate Of Progress Plan and PM-10 Plan. Our current command and control approach to prohibitory rule development, i.e. regulatory controls, has not endured the San Joaquin Valley to rapid emission reductions nor promoted expansion of business opportunities locally. As the Valley enters into the worst federal Clean Air Act non-attainment designation, "*Extreme*", municipalities, local government, and regulated industries (including agriculture) are faced with a regulatory dilemma; the need for rapid implementation of measures for the reduction of regulated pollutants released into the valley's air while at the same time ensuring and promoting the economic development of the region. One program concept that would promote the implementation of air pollution reducing practices is to enable sources, including exempt sources, to promote the implementation of *sustainable incentives*. *Sustainable incentives* are financial measures, programs, and/or prohibitory rule alternative compliance plans which provide an economic mechanism to fund pollution reduction measures. *Sustainable incentives* may be in the form of private industry and/or foundation programs, federal and/or state government grants, tax credits, *Discrete Emissions Reductions* or *Emission Reduction Credits* (ERCs) programs, and prohibitory rule incentives.

Sustainable incentives are based in part upon the highly successful initiatives implemented by the United States Department of Agriculture, Natural Resource Service, through the federal farm bill's "Environmental Quality Incentives Program (EQIP), the State's highly successful Carl Moyer program, and the San Joaquin Valley Unified Air Pollution Control District's "Remove Program" and other economic incentive and alternative compliance plan provisions programs that offset the implementation cost for pollution reduction measures. This is accomplished within the framework of a private industry/public/agency partnership. Sustainable incentives revolves around a market based approached to pollution reduction utilizing measures that economically sound and backed up by scientific research.

Sustainable incentives are market based concepts that require [1] local Districts, State Air Resource Board and federal EPA to assist local municipalities and public agencies in acquiring federal funding for the implementation of emission reduction measures (as opposed to only mandating requirements); [2] the acceptance of proposals from private industry that generate equivalent emission reductions identified in prohibitory rules, but are less costly, and [3] promote the acquisition of federal, State, and/or other funding to continue and expand incentive programs such as EQIP, Carl Moyer, and acquire additional funds for our local transportation agencies and importantly, local communities, to offset mitigation cost needs. *Sustainable incentives* may draw heavily on the ability of private industry and local agencies to generate Emission Reduction Credits or just plain reductions either through contributing to programs such as the federal farm bill's Environmental Quality Incentives Program, on-site reductions or reductions generated within the geographic region of the local District. Issuance of a prorated portion of ERC's should not be prohibited for participating in the agency programs.

June 17, 2004